

PAYROLL ALERT

LEGISLATIVE NEWS 2024 - 2025 WHAT YOU NEED TO REMEMBER! LABOUR LAW, WAGE TAX AND SOCIAL SECURITY

The aim of this newsletter is to give you an overview of the main changes and innovations that have marked 2024 and will have an impact on 2025 in terms of labour law, wage tax and social security, as well as those planned for 2025.

NEWS IN 2024 (APPLICABLE IN 2024)

LABOUR LAW		
New changes in employment relationships NEW!	The Law of 24 July 2024 transposes the EU Directive of 20 June 2019 on transparent and predictable working conditions within the European Union. The law came into force on 4 August 2024. This brings some changes for both employers and employees. ▶ For new contracts concluded on or after 4 August 2024, the provisions of the Law should be applied ▶ For existing contracts, the employer must provide the employee with a document that complies with the new legal provisions within two months of receiving the request	https://www.bdo.lu/en-gb/insights-en/advisory-en/changes-in-the-employment-relationship
European Blue Card	The EU Directive 2021/1883, establishing the conditions for entry and residence of third-country nationals for the purpose of highly qualified employment, has been transposed into Luxembourg law, amending the modified law of 29 August 2008. The law came into force on 1 July 2024. ▶ Beneficiaries of international protection now have the right to apply for a Blue Card, provided they meet all the required conditions ▶ Applicants can now present a valid employment contract with a minimum duration of 6 months (previously one year) ▶ The salary must be equivalent to the average gross annual salary, which is currently 58,968 euros	Transposition of the new EU Blue Card Directive - The Luxembourg Government
New collective agreement in the insurance sector	The Association of Insurance and Reinsurance Companies (ACA) and the trade unions ALEBA, OGBL, and LCGB have signed a new agreement that introduces the following benefits: ▶ Allocation of a conjunctural bonus (in 2024, 2025, and 2026) ▶ Allocation of a special "attractiveness" bonus amounting to a total of €1,300, which will be paid in three installments over the years 2024, 2025, and 2026 ▶ Increase in starting salary scales for new hires ▶ Adjustment of Threshold 1 and Threshold 2 ▶ Of the 40 hours of training credit, 2 hours will be dedicated to health at work and the prevention of psychosocial risks ▶ Reduction in the number of training hours required for the awarding of the performance bonus ▶ Allocation of a credit of hours for the health representative	Signing of the Collective Bargaining Agreement for insurance companies 2024-2026: a new chapter for the insurance sector and its employees ACA



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NEWS IN 2024 (APPLICABLE IN 2024)		
LABOUR LAW (2)		
First sectoral collective agreement for collective catering companies	The OGBL, the LCGB, and the FEDIL sectoral association have signed the first sectoral collective agreement for contract caterers. The agreement will come into force on 1 May 2024. Among other things, the sectoral collective agreement provides for: ▶ Linear pay increases of 0.8% on 1 January 2025 and 0.7% on 1 January 2026 for all employees earning a gross monthly salary between the SSM for unskilled employees and the SSM for skilled employees ▶ Adjustment of wages between the SSM for unskilled workers and the SSM for skilled workers when the government decides to adjust the SSM wage for unskilled workers ▶ One additional day's leave for employees with 10 years of continuous service ▶ The possibility of an annual reference period for working time for employees working in structures affected by Luxembourg's school holidays ▶ Free meals from the moment the employee starts work ▶ 70% extra pay for Sunday work ▶ 100% public holiday surcharge ▶ Clear rules for transferring employees' employment contracts	https://fedil.lu/en/publications/convention-collective-sectorielle-pour-les-entreprises-de-la-restauration-collective/
New collective agreement for the banking sector	The 2024-2026 collective agreement for the banking sector has been signed by the ABBL and the trade union representatives of OGBL, LCGB, and ALEBA: ▶ Exceptional bonus of €500 for all employees, payable in 2025. ▶ Increase in the loyalty bonus ▶ Financial envelope to be distributed for 2024, 2025, and 2026 to reward employee commitment ▶ Increase in starting amounts and thresholds for the 4 groups ▶ Extension of the presumed competence acquisition period ▶ Implementation of a minimum budget for training as part of an outplacement program of €5,000 (maximum €8,000) ▶ 10% increase in the annual training budget ▶ Allocation of a minimum 16 hours per year of individual training	https://www.ogbl.lu/en/communiqu%C3%A9/accord-sur-la-convention-collective-du-secteur-bancaire/



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NEWS IN 2024 (APPLICABLE IN 2024)		
SOCIAL SECURITY		
New procedures for declaring professional activity abroad	The Common Centre for Social Security (CCSS) has published new forms for declaring professional activities abroad. Starting from 2 April 2024, all employers who declare their activities using paper forms or through the SECULine system must now follow the new procedures.	https://ccss.public.lu/en/actualites/2024/03/03.html
Framework agreement on telework: end of the transitional period	The framework agreement has been applicable since 1 July 2023. Between 1 July 2023 and 30 June 2024 inclusive, employers had the option to submit a declaration that could be retroactive up to 12 months, but not earlier than 1 July 2023 or the date of entry into force of the framework agreement for countries that signed it after 1 July 2023. The retroactivity could only apply if, during the entire relevant period, the employee had already been affiliated with Luxembourg's social security system. The agreement was concluded for an initial duration of 5 years, renewable by tacit agreement. For declarations made from 1 July 2024 onwards, the framework agreement can only be applied retroactively for a period of 3 months, provided the employee was affiliated with Luxembourg's social security system during that period.	https://www.bdo.lu/en-gb/insights-en/advisory-en/telework-regime-in-2024

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NEWS IN 2024 (APPLICABLE IN 2024)

WAGE TAX

German cross-border workers	On 11 January 2024, the tax authorities of the Grand Duchy of Luxembourg and the Federal Republic of Germany signed a mutual agreement. The purpose of this agreement is to interpret and apply the convention to avoid double taxation and prevent tax fraud in relation to income and wealth taxes (signed between the two countries on 23 April 2012). According to this mutual agreement, Germany will now tax the full salaries paid by Luxembourg employers for overtime worked by cross-border workers residing in Germany, even if the overtime was performed in Luxembourg and the base salary of the German cross-border workers is fully taxable in Luxembourg (which is the case if an employee worked exclusively in Luxembourg or if an employee worked less than 35 days outside Luxembourg).	https://www.bdo.lu/en-gb/insights-en/tax-services-en/cross-border-commuters-residing-in-germany-taxation-of-overtime
VAT - Company Vehicles - Application of VAT according to the employee's country of residence (B/DE/FR) (judgment QM C-288/19)	Following the decision of the Court of Justice of the European Union in the QM case (C-288/19), companies providing company vehicles to their cross-border employees must, under certain conditions, pay VAT in the employee's country of residence, with retroactive effect (2021 for Belgium and France, and 2014 for Germany). It is urgent for companies that are not in compliance to regularize their situation in the neighboring countries. In addition to financial penalties, criminal proceedings may be initiated, particularly in Germany.	https://pfi.public.lu/fr/publications/circulaires/2023/circulaire.html
Clarifications regarding the tax exemption for jubilee gifts	The L.I.R. Circular No. 115/13 of 13 August 2024 clarifies the application of the tax exemption for jubilee gifts provided under Article 115, Number 13 of the L.I.R. It specifies the timeframes within which a gift can be given to maintain its connection to the event being celebrated. The circular also defines the concept of "enterprise" and reminds that the tax exemption is capped, making any amount exceeding the limit taxable.	https://impotsdirects.public.lu/dam-assets/fr/legislation/legi24/lir-115-13-du-1382024.pdf



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NEWS IN 2024 (APPLICABLE IN 2024)

WAGE TAX (2)

Rental allowance (Article 115, Number 13c, L.I.R.)	The law of May 22, 2024, introduced a new rental allowance for employees. An employee can benefit from the rental allowance exemption up to 25% when the following criteria are met: ▶ The exemption is reserved for employees under the age of 30 at the beginning of the tax year ▶ The amount paid by the employer cannot exceed the amount borne by the employee for their rent ▶ The 25% exemption is capped at €1,000 (i.e., if the employer provides a rental allowance of €2,000, the exemption of 25% applies only to the maximum monthly amount of €1,000) ▶ The gross annual salary of the employee, including all emoluments and benefits, excluding the rental allowance, must not exceed thirty times the minimum social monthly wage for qualified workers ▶ The Grand-Ducal Regulation of May 22, 2024, and the Circular from the Director of Contributions LIR No. 115/14 of September 27, 2024, specify the conditions for granting this rental allowance and the calculation of the exemption ▶ The law of May 22, 2024, applies retroactively from January 1, 2024	https://legilux.public.lu/eli/etat/leg/loi/2024/05/22/a219/jo https://impotsdirects.public.lu/fr/archives/newsletter/2024/nl01102024.html?utm_campaign=01%2F10%2F2024&utm_medium=email&utm_source=Mailjet
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NEWS IN 2024 (APPLICABLE IN 2025)

WAGE TAX (3)

New rates for company car benefits in kind	For all new contracts concluded from 2025 onwards, the system for company car benefits in kind will be simplified, and only favorable rates will apply to cars with zero CO₂ emissions. These rates for zero-emission vehicles will, however, be doubled to reflect the growing success of these cars, including fully electric vehicles. For all other types of internal combustion engine vehicles, including plug-in hybrids, the rate for calculating the monthly value of the benefit in kind is increased to 2%.	https://www.bdo.lu/en-gb/insights-en/business-services-outsourcing-en/reform-regarding-the-update-of-the-benefit-in-kind-for-company-cars-en
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UPCOMING PROJECTS



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LABOUR LAW		
Bill amending the Labour Code for the purpose of transposing Directive (EU) 2022/2041 of the European Parliament and of the Council of October 19, 2022, on adequate minimum wages in the European Union	Bill No. 8437 was submitted to the Chamber of Deputies on August 30, 2024. The main changes are as follows: ▶ The bill introduces new criteria for the revision of the minimum social wage, namely the purchasing power of the minimum social wage, taking into account the cost of living, the general level and distribution of wages, the wage growth rate, and the levels and trends of long-term national productivity ▶ A new advisory body will be established within the Ministry of Labour, tasked with advising the government on issues related to legal minimum wages ▶ The bill strengthens protection against retaliation for employees exercising their right to receive a legally compliant minimum wage	https://www.chd.lu/fr/dossier/8437
WAGE TAX		
Tax regime for expatriates	The Ministry of Finance has presented new measures as part of the "Entlastungs-Pak" tax package, including the simplification of the expatriate regime: ▶ 50% of gross annual tax-free salary up to a maximum of €400,000	https://gouvernement.lu/fr/actualites/actualites_communiques/2024/07-juillet/17-roth-paquet-fiscal.html
Profit-sharing bonus	The Ministry of Finance has also introduced more attractive conditions for the profit-sharing bonus: ▶ An increase from 25% to 30% of the gross annual salary ▶ The company can distribute 7.5% instead of 5% of the previous year's (positive) results	https://gouvernement.lu/fr/actualites/actualites_communiques/2024/07-juillet/17-roth-paquet-fiscal.html
Tax credit for overtime hours of cross-border workers	▶ The tax credit, up to a maximum of €700 per year, is available, under certain conditions, to cross-border employees working overtime paid in Luxembourg.	https://gouvernement.lu/fr/actualites/actualites_communiques/2024/07-juillet/17-roth-paquet-fiscal.html

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UPCOMING PROJECTS

SOON!

UPCOMING PROJECTS

WAGE TAX (2)

New allowance for young people under 30 years old	The new allowance is aimed at young employees under 30 who are entering into their first permanent employment contract in Luxembourg: ▶ 75% of this allowance, which ranges from €2,500 to €5,000 depending on the young employee's salary level, will be exempt from taxes ▶ This allowance is in addition to the rental allowance introduced by the law of May 22, 2024, as part of a package of measures to stimulate the housing market	https://gouvernement.lu/fr/actualites/toutes_actualites/communiqués/2024/07-juillet/17-roth-paquet-fiscal.html
Further adjustment of the personal income tax scale	▶ Neutralisation of 2.5 salary scales starting from January 1, 2025 ▶ 6.5 out of 8 salary scales are thus neutralised	https://gouvernement.lu/fr/actualites/toutes_actualites/communiqués/2024/07-juillet/17-roth-paquet-fiscal.html
Increase in the single-parent tax credit (CIM) (Article 154ter L.I.R.)	▶ The tax credit increases from €2,505 to €3,504	https://gouvernement.lu/fr/actualites/toutes_actualites/communiqués/2024/07-juillet/17-roth-paquet-fiscal.html
Adjustment of the minimum social wage tax credit (CISSM) (Article 139quater L.I.R.)	▶ People paid the unqualified minimum social wage, including those in tax class 1, will no longer pay taxes as of January 1, 2025 ▶ The CISSM takes into account the salary scales that are expected to be triggered, according to STATEC's forecasts, in the 4th quarters of 2024 and 2025	https://gouvernement.lu/fr/actualites/toutes_actualites/communiqués/2024/07-juillet/17-roth-paquet-fiscal.html
Adjustment of the taxable income deduction for children not part of the taxpayer's household (Article 127bis L.I.R.)	▶ Increase in the deduction for extraordinary expenses for children not part of the household, from €4,422 to €5,424 per year per child, starting in 2025	https://gouvernement.lu/fr/actualites/toutes_actualites/communiqués/2024/07-juillet/17-roth-paquet-fiscal.html

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